

Exhibit B

Chris Ferraro Deposition Transcript Excerpts

In the Matter Of:

Re CELSIUS NETWORK LLC, et al.

CHRISTOPHER FERRARO

November 21, 2022



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UNITED STATES BANKRUPTCY COURT

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SOUTHERN DISTRICT OF NEW YORK

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In re:

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Chapter 11

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CELSIUS NETWORK LLC, et al.

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Case No. 22-10964

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VIDEOCONFERENCE VIDEO-RECORDED DEPOSITION OF

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CHRISTOPHER JAMES FERRARO

16

New York, New York

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Monday, November 21, 2022

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Reported Stenographically By:

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PATRICIA A. BIDONDE

Registered Professional Reporter

Realtime Certified Reporter

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JOB#: 2022-872581

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94

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2 Q. But in that case, what happened to
3 the stablecoin that Celsius had borrowed?

4 MR. McCARRICK: Object to
5 form.

6 You can answer if you know.

7 A. Nothing would have happened to
8 stablecoin. What would have happened was the
9 Bitcoin was liquidated. I believe might have
10 been some E too, but ...

11 (Stenographer clarification.)

12 Q. So Celsius remained in possession
13 of --

14 A. Might have been some ETH.

15 Q. So Celsius remained in possession
16 of the stablecoin following the liquidation of
17 the Tether loan?

18 A. The liquidation of the Tether loan
19 had no impact on the stablecoins of Celsius.

20 Q. Okay. Just wanted to confirm
21 that.

22 And so returning to your testimony
23 after that statement. So Celsius just spent
24 the stablecoin in the ordinary course?

25 A. Yes, and invested --

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2 Q. Approx- --

3 A. -- specs -- invested.

4 Q. Approximately 1.8 billion of it?

5 A. Yeah. I -- there was uses of the
6 stablecoin, and clearly most of it got used to
7 pay for operations, for lending, for the
8 mining asset, certain -- certain losses that
9 we had to take that we took. We had to go
10 back and buy cryptocurrencies -- right? --
11 with stablecoins.

12 So, yeah, there was many purposes
13 that stablecoins were used for. Some were
14 operations, some were to buy back coins that
15 were actual losses, and some was mining
16 assets, lending programs, et cetera.

17 Q. So you listed a few things that
18 the stablecoin went to. Do you know the
19 amount of stablecoin that was dedicated to
20 each of those things?

21 A. Well, I think it's pretty safe to
22 say that predominantly the entire mining
23 asset, so call it almost 600 million.
24 Predominantly the entire retail lending book,
25 call it another 400-and-something million.

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96

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2 You're at a billion.

3 There was operating expenses for
4 2021 and 2022 that totaled, off of memory,
5 about a half a billion.

6 And then you had certain
7 currency -- cryptocurrencies that we had to go
8 back and buy because there was losses. Think
9 EFH. So that's how you get to the 1.8 to 2
10 billion.

11 Q. Okay. So just -- so sticking with
12 your math. So mining, lending, and
13 operations, you said 600 for mining, 400 for
14 lending, 500 for operations. That totals
15 1.5 billion. Right?

16 A. Yeah.

17 Q. So would the loss that you just
18 described be 300 million in your estimation?

19 A. Losses in which we had to go back
20 and purchase cryptocurrencies for the accounts
21 so we didn't have a directional position. I
22 don't have that number off the top of my head,
23 but, yeah, it was in that range.

24 Q. Can you explain that a little more
25 of losses for which you had to go back and --

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97

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2 A. Well, let's say --

3 Q. -- purchase cryptocurrency?

4 A. Yeah. Let's say, for example,
5 EFH. We -- we borrowed money from EFH, and I
6 believe this dates back to 2020. Right? We
7 lent money -- we borrowed money from EFH, and
8 we posted Bitcoin and ETH as collateral.

9 When we went to pay down the loan
10 with EFH, they said, We don't have your
11 collateral. So now we thought we had an asset
12 of Bitcoin -- right? -- and now we don't. So
13 we had to use stablecoins to go out and buy
14 Bitcoin so that our risk positions would be
15 neutralized.

16 Q. Understood. Okay. All right.
17 This may retread some of the ground we've just
18 gone over. Let's turn to paragraph 26 of your
19 declaration.

20 A. Of my declaration. Okay.

21 Yes, sir. I'm there.

22 Q. And, actually, before we get
23 there, just one quick question: Is Celsius
24 able to trace stablecoins in its possession to
25 specific transfers made by account holders?

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2 A. The coins go into, like, an
3 omnibus account -- I always struggle to say
4 that word, I'm sorry -- omnibus account. So
5 kind of -- we don't link a specific stablecoin
6 to a customer. We think of them more as
7 fungible.

8 Q. And there's no way to, let's say,
9 analyze the blockchains to determine where it
10 came from before it went to the omnibus
11 account?

12 MR. McCARRICK: Object to
13 form.

14 You can answer.

15 A. To my understanding, it all gets
16 mixed in the omnibus account. So we --

17 Q. Are you now aware -- go ahead.
18 Sorry.

19 A. I was going to say, we can look
20 and say 100 stablecoins were sent from 100
21 different wallets and we have 100 in the
22 omnibus account, but we -- and then when we
23 deploy them, we don't go back in time to say
24 which ones were deployed for -- related to
25 which cryptocurrency obligations that Celsius

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2 has to the customers.

3 Obviously the stablecoins are
4 Celsius', the transfer. The title has been
5 transferred to Celsius in the terms of use.
6 Celsius has the right, which we're describing
7 right here, to pledge, deploy, otherwise
8 rehypothecate, et cetera. So ...

9 Q. But just to be clear, putting
10 aside what Celsius may or may not do in terms
11 of trying to trace stablecoin to their source,
12 my question is could it do so?

13 MR. McCARRICK: Object to
14 form.

15 You can -- you can answer.

16 A. I'm sure in a massive data
17 exercise, you could probably track and trace
18 things. It's all public blockchain. We, kind
19 of, mix it all together in the omnibus wallet
20 and then deploy it from there. So it gets --
21 we didn't in an active managing trace because
22 it wasn't important. We just had the
23 obligation to the customer, the liability to
24 the customer. That's what we tracked.

25 Q. Right. And I just want to be

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2 clear, I'm not trying to pass judgment on
3 whether Celsius should have or did or did not.
4 But it -- so basically your answer, it sounds
5 like your testimony is it may be possible to
6 trace the stablecoin, but it would be -- I
7 think the word you used is "a massive
8 undertaking." Is that right?

9 A. I'm not a blockchain expert. So
10 my understanding is it's possible. We weren't
11 set up that way to do it.

12 If it were to be done, I would
13 think there's a lot of data out there, but it
14 would be a big exercise.

15 Q. Okay. And now we can go to
16 paragraph 26. I apologize we didn't do it
17 before.

18 In the first sentence of that
19 paragraph, you state:

20 "It is my understanding that,
21 prior to the petition date, the
22 debtors monetized stablecoin as
23 needed to meet their fiat
24 obligations in the ordinary course."

25 So you state "it is my

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101

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2 understanding." What is that understanding
3 based on?

4 A. General understanding of how the
5 business operated by, you know, being here for
6 six to nine months, by looking at reports, by
7 having conversations.

8 Q. Okay. What does "monetize" mean?

9 A. They use them -- could either use
10 them as payment or liquidate them to cash, to
11 fiat.

12 Q. And can you explain the process
13 the debtors use for monetizing stablecoin
14 prior to the petition date?

15 A. There's multiple ways in which you
16 could do it. You could go on an exchange and
17 sell it on the exchange, have it wired to your
18 fiat bank account. You could go to a provider
19 like Circle and for effectively no cost, just
20 convert stablecoin to fiat and have it put in
21 your bank account.

22 So the industry works in a way in
23 which fiat and stablecoins are very
24 interchangeable.

25 Q. Okay. How frequently do the

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196

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2 form.

3 You can answer.

4 THE WITNESS: Okay. Sorry

5 about that.

6 A. We know when the customer came,
7 you know, when the customer opened the
8 account. I don't -- and we know that in order
9 to have opened an account, you have to accept
10 the terms of use. So I think, one, it would
11 be very reasonable just to go back to the
12 timing of when the account was opened.

13 Q. Okay. And Celsius maintains that
14 information, the --

15 A. The timing of -- my understanding
16 is yes.

17 Q. Okay. Do you know how they
18 maintain that information? Like, is it in a
19 spreadsheet? Is it in a system somewhere?

20 A. It's -- it would be in the back
21 office system -- right? -- where you track the
22 obligations, the customer information,
23 et cetera. I haven't -- I haven't seen the
24 screens. I think Oren would also be a great
25 place to ask the detailed questions on that.

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197

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2 Q. Okay. And just to clarify,
3 Celsius still has that information, it's
4 just --

5 A. Oh, yeah, we protect all the
6 data --

7 CERTIFIED STENOGRAPHER: I'm
8 sorry, you have to let her ask the
9 question.

10 Can you start the question
11 over again, please.

12 MS. MILLIGAN: Yes. Sorry.

13 Q. So -- and just to clarify, Celsius
14 still maintains that information somewhere in
15 its system currently?

16 A. All data is preserved and
17 protected, yes.

18 Q. Okay. The terms of use did change
19 after you joined Celsius. Understanding that
20 you joined in a different capacity, did you
21 have any involvement in that process, the
22 change of terms of use, after you joined the
23 company?

24 A. No.

25 Q. Okay. Regarding the omnibus or

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198

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2 main account, I'm going to, kind of, refer to
3 "omnibus" because that's the word you've been
4 using during your testimony.

5 To your knowledge, were customers
6 informed that their coins were going to be
7 placed in an omnibus or main account and not
8 held in individual wallets?

9 MR. McCARRICK: Object to
10 form. Outside the scope.

11 You can answer.

12 A. To my knowledge, in the terms of
13 use, it's stated clearly that the customers
14 were transferring ownership to Celsius, and it
15 didn't go into exactly -- there was a risk
16 disclosure, but it didn't go into how the
17 account structures worked, at least off of
18 memory. It wouldn't --

19 Q. Right. So there wasn't specific
20 information provided as --

21 A. I don't know why --

22 CERTIFIED STENOGRAPHER: You
23 have -- I'm sorry, repeat your
24 question again.

25 Q. To your knowledge, there was not

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199

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2 specific information provided to customers
3 that they -- their funds were going into an
4 overall main wallet versus individual wallets?

5 MR. McCARRICK: Object to
6 form. Outside the scope.

7 You can answer.

8 A. I don't know why we wouldn't
9 disclose that. I don't know. I don't
10 remember reading it. And I don't know the
11 purpose of it.

12 Q. But to your knowledge, the answer
13 is, no, they weren't informed of that?

14 MR. McCARRICK: Object to
15 form. Outside the scope.

16 You can answer.

17 A. I don't remember.

18 Q. Okay.

19 A. I don't remember reading it
20 through. So I don't want to confirm one way
21 or another.

22 Q. Okay. All right. I certainly
23 don't want to put words in your mouth. So if
24 you don't know, that's fine.

25 To your knowledge, did Celsius

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2 ever use funds from these omnibus or main
3 wallets to pay interest or rewards to earn
4 program participants?

5 MR. McCARRICK: Object to
6 form.

7 You can answer.

8 A. It's fungible. So coins in the
9 main account, property of Celsius, were used
10 to fund operations, to pledge and borrow, or
11 to pay rewards along with the other funds from
12 capital contributions, et cetera, that are in
13 the main account and in the fiat accounts.

14 Q. Were stablecoins used to pay
15 interest or rewards to earn program
16 participants?

17 A. In kind, stablecoin rewards, yes.

18 Q. To your knowledge -- okay. So I
19 guess, the frictional wallets, as described,
20 would be the same as the main or omnibus
21 wallets. Is that right?

22 MR. McCARRICK: Object to
23 form.

24 You can answer.

25 A. My understanding is the frictional

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2 wallets are wallets to process withdrawals and
3 are not the main. Because that way, if
4 anything happened to the frictional wallet,
5 they wouldn't have access to all of the coins;
6 it's just the frictional wallet. So they
7 would be replenished based on the expectation
8 of withdrawals. That's my understanding.

9 Q. Do you know if any information was
10 specifically given to customers about the
11 frictional wallets?

12 MR. McCARRICK: Objection to
13 form. Outside the scope.

14 You can answer.

15 A. I don't know off the top of my
16 head.

17 Q. Do you know who would know that?

18 MR. McCARRICK: Same
19 objection.

20 You can answer.

21 A. Probably talk to Oren about that.

22 Q. Oren? Okay. Part of that may be
23 marketing. So I think you testified that
24 Mashinsky himself did the marketing, or there
25 was somebody else named Tushar. Is that --

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202

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2 A. Yeah. And Oren would probably
3 have better details on the handoffs. I even
4 think Oren was responsible for marketing for a
5 short period of time.

6 Q. Okay. Thank you. Regarding the
7 questions -- let's see. I guess, would Oren
8 have information about any sort of outside
9 communications, like content videos, Twitter,
10 YouTube, that kind of involvement, that kind
11 of information provided to the public as well?

12 MR. McCARRICK: Objection.

13 Outside the scope. Contract
14 information issues are outside the
15 scope.

16 But you can answer.

17 A. He would be in a better position
18 to talk about it than I would be because I had
19 no involvement in that.

20 Q. Okay. You came on as, I guess,
21 CFO -- and if I'm wrong, please correct me --
22 you came on as CFO in March of 2022.

23 Do you know when the Celsius board
24 first became aware that Celsius was insolvent?

25 MR. McCARRICK: Objection.

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361

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2 A. Sir, I had no part in editing,
3 putting up videos. I was never part of an
4 AMA. I'm not in marketing. I'm a, kind of,
5 finance guy who tries to, you know, run a
6 business effectively. I can't speak to any of
7 these edits or anything like that.

8 I had no first-hand knowledge of
9 the process or what occurred, what was edited,
10 or if it was edited or not.

11 BY MR. HERRMANN:

12 Q. Who at Celsius approved this,
13 noting that you were in a senior leadership
14 position while all these things were approved?

15 MR. McCARRICK: Object to
16 form. Outside the scope.

17 A. I became the CFO on July 13, 2022,
18 and in my capacity as CFO and as my capacity
19 as acting chief executive officer and chief
20 restructuring officer, I have not been part of
21 editing videos or heard of editing videos
22 under my control or watch, sir.

23 Q. Will you commit to ceasing any
24 more removal of videos, editing, that sort of
25 thing?

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362

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2 MR. McCARRICK: Object to

3 form.

4 Q. So to, like, restate it clearly
5 because the form was poor, will you commit as
6 the acting CEO to order the immediate
7 cessation of going through all of Celsius'
8 content using estate funds --

9 MR. McCARRICK: Objection --

10 Q. -- and editing it?

11 MR. McCARRICK: Object to the
12 form.

13 Q. And removing it?

14 MR. McCARRICK: Object to the
15 form. Mischaracterizes. Outside
16 the scope.

17 You can answer.

18 A. I am not a part of or will be part
19 of editing videos or making videos for
20 YouTube, sir.

21 Q. Sir, to be clear, you are not
22 willing to -- you're not willing to basically
23 order people at the company to stop this
24 activity?

25 MR. McCARRICK: Object to the

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363

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2 form.

3 Q. But you're the CEO, you could
4 direct people not to do this activity anymore.

5 MR. McCARRICK: Object --

6 Q. You're not willing to make that
7 commitment?

8 MR. McCARRICK: Okay. Object
9 to the form. Well outside the
10 scope. Was specifically carved out
11 pursuant to the agreement.
12 Mischaracterizes.

13 And now you can answer.

14 A. To -- to my -- best of my ability,
15 there will be no editing or production of
16 videos going to YouTube. I run a very classic
17 business. The idea of putting out
18 ask-me-anythings and, as you are describing,
19 potentially editing them, not on my watch,
20 sir.

21 I don't need to say it's not going
22 to happen. It's not happening on my watch. I
23 don't -- I don't partake in this stuff. I
24 don't think it's valuable to the estate. I
25 can't speak to what happened in the past, but

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364

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2 this is not an activity that I'm involved in
3 or would condone.

4 If it's happening, I don't know
5 about it and it will stop, sir. Unless
6 there's a good reason for it, it should not go
7 on. I do not know of any editing that's
8 happening right now with videos.

9 MR. McCARRICK: Object to --

10 Q. Excellent. I do not either, to be
11 clear, at the moment. I know there's been a
12 lot of it, and maybe even including as you
13 transitioned into the role, which is not
14 saying you oversaw it or knew.

15 But I think it has been going on
16 and it may still be going on. I don't know.
17 But I'll leave it at that. Thank you for
18 stating that you don't support that.

19 So from the time you've been CFO
20 and just during your time at Celsius, in the
21 ordinary course of business, did Celsius pass
22 on 80 percent of its gross revenue to account
23 holders in the form of rewards?

24 MR. McCARRICK: Object --

25 Q. There were definitely statements

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2 about that, so I just want to ask if that was
3 true.

4 MR. McCARRICK: Okay. Object
5 to form. Again, this was carved
6 out. We didn't respond to this
7 written deposition question.

8 We'll let you respond to it
9 here if you have personal knowledge.

10 If you don't, you should say so.

11 A. Yeah, my understanding is that
12 they targeted a payout at 80 percent, but in
13 reality, because the deployment didn't return
14 the income that was expected, it was actually
15 above 80 percent.

16 Q. It was above 80 percent, that's
17 your understanding?

18 A. Yeah, the pay out ratio was above
19 80 percent. I know this through the budgeting
20 exercise that I worked on.

21 I will say this: I grew up in an
22 industry where you don't price to things like
23 80 percent. You look at the risk-based return
24 on risk-based capital, and you accrete value
25 based on upon making the right decisions.

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366

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2 So I would not support, nor would
3 I go out in a new company saying 80 percent or
4 anything like that. I would -- I would do my
5 best to earn a reasonable market-based return
6 on the capital and manage the risk.

7 Q. All right. Do any retail or
8 institutional borrowers who had stablecoin
9 loans from Celsius still have these cash loans
10 in their possession?

11 MR. McCARRICK: Object to the
12 form. Outside the scope.

13 You can answer, Mr. Ferraro.

14 A. If I understand the question
15 correctly, outstanding loans, do customers
16 still have the fiat or the stablecoins?

17 Q. Yeah.

18 A. I think that's based upon their
19 spending habits and what they wanted to do
20 with the money. I don't know what customers
21 do with the money that we give them, whether
22 it's in stables or whether it's in fiat.

23 They could have bought a car.
24 They could have paid off bills. They could
25 have gone on a vacation. Honestly, I don't

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367

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2 know what remains in their bank account, sir.

3 Q. All right. Is Celsius -- is the
4 parent company an LLP? Is it a C Corp.? What
5 is the corporate structure of the parent
6 company of Celsius?

7 MR. McCARRICK: Objection.

8 Doesn't have any apparent relevance
9 to the current motion. Outside the
10 scope.

11 You can answer.

12 A. Not in front of me, and I don't --
13 honestly, I don't know the answer to that.
14 We're a corporation. We have numerous LLCs,
15 but I don't know what the total rollup is.

16 Q. I'm surprised you don't know, but
17 I'll leave it at that.

18 A. I'm busy on a lot of stuff, sir.

19 MR. McCARRICK: Objection. No
20 need -- no need -- objection. No
21 need to comment on the witness'
22 answer.

23 MR. HERRMANN: Fair.

24 Q. When did -- when did you -- when
25 did you first become aware that Celsius was

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368

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2 insolvent?

3 MR. McCARRICK: Object to
4 form. I think he's answered this
5 question now three or four times
6 today.

7 MR. HERRMANN: All right. We
8 can move on then actually. That's
9 fine.

10 I think I'm pretty much -- I
11 think that's -- I think I'm good. I
12 want to leave time for the other pro
13 se questioners. So thank you.

14 THE WITNESS: Thank you.

15 MR. HERRMANN: And I'll pass
16 it
17 onto the next person.

18 MR. McCARRICK: Thank you,
19 Mr. Herrmann.

20 Could the next questioner
21 announce their name, spell it for
22 the record.

23 MR. FRISHBERG: Yes. My name
24 is Daniel Frishberg, D-a-n-i-e-l,
25 Frishberg, F-r-i-s-h-b-e-r-g. I've